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No. 293

IN THE

United States Court of Appeals

FOR THE THIRD CIRCUIT.

No. 12,117.

THE NATIONAL DRYING MACHINERY CO.

vs.

JACK ACKOFF

and

NATIONAL DRYER MFG. CORP.

and

NATIONAL DRYER SALES CORPORATION (World Dryer Corporation, successor in interest substituted)

vs.

THE NATIONAL DRYING MACHINERY CO., NATIONAL DRYER MFG. CORP. and NATIONAL DRYER SALES CORPORATION (World Dryer Corporation, Successor in interest substituted),

Appellants.

APPEAL FROM THE JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA (CIVIL ACTION No. 16,518).

Appendix for Appellants

JOSEPH SMUKLER,
DANIEL LOWENTHAL,
NOCHEM S. WINNET,
FOX, ROTHSCHILD, O'BRIEN & FRANKEL,
1732 Bankers Securities Bldg.,
Philadelphia 7, Pennsylvania,
Attorneys for Appellants.

Note

Many pages have not been accounted for, and apparently have been omitted in the printing of this brief.

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DOCKET ENTRIES.

April 27, 1955. Final Decree in favor of defendant and granting an injunction against plaintiff, etc. filed 4-28-55 noted and notice mailed.

April 27, 1955. Plaintiff's motion for an amendment to the Final Decree filed and Order staying injunction pending disposition of motion filed, 4-28-55, noted and notice filed.

May 2, 1955. Argued our Motion to amend Decree.

May 10, 1955. Opinion, Kirkpatrick, Ch. J. amending Final Decree filed April 27, 1955, filed.

May 11, 1955. Plaintiff's notice of appeal filed 5-12-55, copy to L. Necho.

May 11, 1955. Clerk's copy of notice to U. S. Ct. of Appeals filed.

May 12, 1955. Plaintiff's motion to stay injunction pending disposition of plaintiff's appeal from Final Decree and Order of Court granting motion and directing defendant to enter a supersedeas bond in the sum of $20,000.00 filed. Noted and notice mailed 5-13-55.

May 23, 1955. Stipulation of counsel as to timely motion for assessment of counsel fee; and as to additional findings of fact and order approving same filed.

May 23, 1955 Defendant's notice of appeal filed 5-24-55, copy to Daniel Mungall.

May 23, 1955. Supersedeas bond of plaintiff-appellant in the sum of $20,000.00 with National Surety Corp. as surety and order approving same filed.

May 23, 1955. Clerk's copy of Notice to U. S. Ct. of Appeals filed.

June 6, 1955. Record transmitted to U. S. Ct. of Appeals.

April 27, 1956. Mandate affirming judgment of this court in favor of plaintiff's received from U. S. Ct. of Appeals and filed.

April 27, 1956. Mandate affirming judgment of this Court in favor of defendant received from U. S. Ct. of Appeals and filed.

May 14, 1956. Writ of Injunction exit.

May 23, 1956. Plaintiff's motion for an Order reducing supersedeas bond entered in $20,000.00 to $2,000.00 filed 5-24-56. Noted and Notice mailed.

July 20, 1956. Bill of costs of National Drying Machinery Co. filed.

August 22, 1956. Petition for an Order to show cause why plaintiff should not be adjudged in contempt filed. Returnable 9-14-56 at 10:00 A. M. (Filed in No. 15589).

August 25, 1956. Plaintiffs request for admissions of fact and genuineness of documents, filed (No. 15589).

August 31, 1956. Appearance of F. R. O. & F., Esqs., for World Dryer Corp. (formerly The National Dryer Mfg. Co.) filed (filed in No. 15589).

September 14, 1956. Argued sur motion to adjudge National Dryer Mfg. Co. in contempt.

September 21, 1956. Transcript of hearing of 9-14-56 filed (No. 15589).

September 26, 1956. Opinion, Kirkpatrick, Ch. J. finding National Dryer Sales Corp. and National Dryer Mfg. Corp. guilty of contempt and ordering payment of fine in $5000.00, together with costs and attorneys' fee of $1000.00 filed (Order to be submitted) C. C. A. No. 15589).

November 5, 1956. Stipulation re. Petition for civil contempt, filed (No. 15589).

November 5, 1956. Opinion, Kirkpatrick, Ch. J. re reargument, filed.

November 13, 1956. Order of counsel to mark judgment for costs entered on Decree of 4-27-55 satisfied, filed.

Docket Entries

November 19, 1956. In accordance with Order filed, the judgment for costs entered on Decree of 4-27-55 is marked "satisfied" attest /s/ Robert F. Criswell, Deputy Clerk.

November 20, 1956. Order finding National Dryer Sales Corp. and National Dryer Mfg. Corp. guilty of contempt and ordering payment of fine in $5000.00, together with costs and attorneys' fee of $1000.00 filed, noted and notice mailed 11-21-56 (See C. A. No. 15589).

November 26, 1956. Notice of appeal by defendant filed, copy to Louis Necho, Esq. (See C. A. 15589).

November 26, 1956. Copy of Clerk's notice to U. S. Ct. of Appeals, filed (See C. A. 15589).

November 27, 1956. Supersedeas bond on appeal in $10,000.00 with National Surety Corporation as surety and Order affirming same filed (C. A. No. 15589) noted and notice mailed 11-28-56.

FINAL DECREE.

(In Appeals Nos. 11,639 and 11,640.)

(Civil Action No. 16,518.)

The above entitled cause having come on to be heard on November 30 and December 1, 1954, before this Court sitting at Easton, Pa., and having been argued on December 4, 1954, before this Court sitting at Philadelphia, Pa., and on findings of fact and conclusions of law submitted by both sides,

IT IS HEREBY ADJUDGED, ORDERED and DECREED as follows:

1. Defendant is the sole owner of National as a trade mark for drying machines.

2. Trade mark registration No. 556,551 of March 25, 1952 is valid and is the sole property of the Defendant.

3. Plaintiff infringed Defendant's statutory and common law rights.

4. The Complaint is hereby dismissed with prejudice.

5. Plaintiff's, their officers, agents, servants, employes and distributors, and all their successors in interest are hereby perpetually enjoined from directly or indirectly selling or in any way making or dealing in drying machines under the trade mark National or under a business name which includes the word National.

6. The Defendant has the right to sell hand dryers under its trade mark National and under a business name which includes the word National.

7. The plaintiffs are ordered to pay to the Defendant the costs of this suit.

8. The Plaintiffs are ordered to pay to the Defendant all their profits from the sale of drying machines from January 1950 to date.

9. This cause is hereby referred to take and state an accounting as to the profits of the Plaintiffs.

/s/ KIRKPATRICK,
Ch. J.

April 27, 1955.

OPINION SUR MOTION TO MODIFY DECREE.

(In Appeal No. 11,640.)

(Civil Action No. 16,518.)

Before Kirkpatrick, Ch. J.

The Lanham Act, 15 U. S. C. 1117, provides that the right to recover profits against a trademark infringer shall be "subject to the principles of equity". It seems to be definitely settled since Champion Spark Plug Co. v. Sanders, 331 U. S. 125, that an accounting for profits does not automatically follow a judgment of infringement. The "principles of equity" give the Court a very wide discretion and, as appears from the opinion in the case cited, the Court may

base its discretion upon a wide range of considerations. Thus, in that case the Court pointed out that there had been no showing of fraud or palming off, that the respondents had for several years apparently tried to comply with a cease and desist order of the Federal Trade Commission which would have eliminated any possible imposition upon the public as to the secondhand character of the goods, and that the likelihood of damage to the petitioner or profit to the respondents seemed slight. Thus, not only the probabilities as to the existence of profits and damages were considered but also the nature of the infringement, the absence of fraudulent intent and what was done by the respondents in order to avoid misleading the public.

It is true that in Century Distilling Co. v. Continental Distilling Corp., 205 F. 2d 140, Judge Maris ordered an accounting upon a finding of infringement, without discussing the question whether there were any profits or damages to be accounted for or whether the equities of the case demanded it. It is possible that he did so on the theory that accounting would follow automatically upon the decree. However, in the Century case there was a definite finding by the Court of the existence of competition between the two products involved, a finding which almost postulated damages, if not profits, and which would give a basis for the exercise of the Court's discretion to grant an accounting.

In the present case the products are not the same and there is no competition between them. The injunction was granted to protect the counterclaimant against competition by the plaintiff, presently nonexistent, but which would arise if and when the counterclaimant should decide to enter upon a field closely related to that in which it was doing business, but in which it had not made or sold a single article.

I am of the opinion that the injunction is all that is needed in order to give the counterclaimant in the present case complete relief and, further, that the principles of

equity would not justify me in awarding an accounting for profits (there having been no proof whatever of any damages) in the sale of goods which the counterclaimant has never manufactured or sold. To allow the counterclaimant the accounting for which it asks would be in effect to allow it the profits from an extensive business in which it had never invested a cent of money or taken any risk. To say the least, such an order would be a windfall.

The final decree entered in this matter is amended by striking out "The plaintiffs are ordered to pay to the defendant all their profits from the sale of drying machines from January, 1950, to date."

STIPULATION.

It is hereby stipulated by the parties to the above entitled cause that the record shall show that Defendant made a timely motion for assessment of Counsel fee against the Plaintiffs and that said motion was denied.

It is further stipulated that the Trial Judge, upon timely motion by the Plaintiffs, made the following additional findings of fact:

(a) There is no competition between the Machinery Company and the Manufacturing and Sales Companies

(b) The Manufacturing Company, the Sales Company and Ackoff did not at any time attempt to palm off the electric hand dryer as the product of the Machinery Company.

/s/ DANIEL MUNGALL, JR.,
Counsel for Plaintiffs,

/s/ LOUIS NECHO,
Counsel for Defendant,

KIRKPATRICK,
U. S. D. C. Ch. J.

Approved May 23, 1955.

PETITION FOR ISSUANCE OF RULE TO SHOW CAUSE AND FOR CIVIL CONTEMPT JUDGMENT.

To the Honorable, the Judges of the above entitled Court:

The Petition of The National Drying Machinery Company respectfully represents:

1. That it is the Plaintiff in this proceeding and that National Dryer Manufacturing Corporation and National Dryer Sales Corporation (World Dryer Corporation, successor in interest, substituted) are, jointly and severally, the Defendants in this proceeding.

2. That Plaintiff herein was the Plaintiff in Civil Action No. 15,589 and was the Defendant in Civil Action No. 16518.

3 That both of said actions were consolidated and tried together on November 30 and December 1st, 1954, in the United States District Court sitting at Easton, Pennsylvania, the Honorable William H. Kirkpatrick, Ch. J. presiding.

4. That on April 27, 1956, this Court entered a Decree whereby National Dryer Manufacturing Corporation and National Dryer Sales Corporation "their officers, agents, servants, employees and distributors and all their successors in interest" were perpetually "enjoined from directly or indirectly selling, or in any way making, or dealing in, drying machines under the trademark National or under a business name which includes the word National.

5. That said Decree, in paragraph 8 thereof, also ordered Defendants herein to pay to Plaintiff herein "all their profits

from the sale of drying machines from January 1950 to date."

6. That Defendants herein filed a Motion to Modify said Decree and that the said Decree was modified by striking the said paragraph 8 therefrom.

7. That Plaintiff herein moved for a reasonable Counsel and that said motion was denied.

8. That Defendants herein appealed the said Decree, as modified, and that the Court of Appeals affirmed the judgment and Decree of the District Court in toto.

9. That Defendants herein petitioned the Supreme Court of the United States for a writ of certiorari and that said Petition was denied.

10. That on April 27, 1956, the Court of Appeals issued its mandate to the Clerk of the District Court by virtue of which the injunction issued by the District Court became final and in full force.

11. That on May 24, 1956, a copy of the Decree and a copy of the injunction in Action No. 16518 were duly served, by the U. S. Marshal's returns A and B, which are hereto annexed respectively.

12. That on, or about, June 4, 1956 Defendants wrote a letter, the original of which is hereto annexed as Ex. C, in which the word "National" is used twice as part of the business name and is used several times as a trademark for the drying machines of Defendants.

13. That accompanying said letter, Ex. C, there were four sheets of testimonials which are hereto annexed as Ex. D-1, D-2, D-3 and D-4.

14. That on or about July 7, 1956, the Defendants herein mailed a communication to Copley classics of Springfield, Mass. in an envelope which is duly stamped by the United States Post Office and which is hereto annexed as Ex. E.

15. That on or about April 26, 1956, the name National Dryer Sales Corporation, one of the Defendants herein, was changed in the office of the Secretary of State of the State of Illinois to World Dryer Corporation by virtue of which National Dryer Sales Corporation ceased to exist and therefore the letter written on June 4, 1956, Ex. C, was fraudulent in addition to being in disobedience of the injunction of this Court.

16. That Defendants in various magazines as per examples hereto annexed as Ex. F-1; F-2, and F-3 all of which show the use of the word National in connection with the word "formerly", which implies that the equity with which National was previously associated is out of existence.

17. That on or about July 30, 1956, the M. B. Long Co. of Pittsburgh, Pennsylvania, a distributor of Defendants, mailed a letter which is hereto annexed as Ex. G-1.

18. That accompanying said letter, Ex. G-1 there were: a testimonial letter dated January 25, 1955, and three pieces of literature which are hereto annexed as Ex. G-2, G-3, G-4 and G-5.

Petition for Issuance of Rule to Show Cause and for Civil Contempt Judgment

19. That on or about July 23, 1956, Defendants wrote a letter to Mr. J. Greenberg, which letter and the envelope in which it was mailed are hereto annexed as Ex. H-1 and H-2.

20. That on, or about, July 24 and July 31, 1956 Defendants wrote letters to U. O. Cumming in New York, which letter and the envelopes in which they were mailed are hereto attached as Ex. K-1, K-2, K-3 and K-4.

21. That the foregoing acts constitute repeated and deliberate disobedience of the injunction issued under the seal of this Court and duly served on Defendants.

Wherefore Petitioner prays this Court for a Rule to show cause why Defendants should not be adjudged as being in Civil Contempt and, upon return of said Rule, to adjudge them in contempt and to order them to purge themselves of said contempt by paying to Plaintiff a fine with all costs of this proceeding and a reasonable attorney's fee.

Respectfully submitted,

LOUIS NECHO,
Counsel for Plaintiff.

Exhibit "C"

EXHIBIT "C".

NATIONAL DRYER | sales corporation
616 W. Adams Street, Chicago 6, Ill.-Dearborn 2-0348

June 4, 1956

Mr. Daniel Pollack
Copley Classics, Inc.
29 Worthington Street
Springfield 3, Massachusetts

Dear Mr. Pollack:

We appreciate your inquiry regarding National Dryers, and are pleased to enclose descriptive literature on our product.

The back page of the green circular gives you a complete analysis of the comparative costs of National Dryers versus towels, and will emphasize the substantial dollar savings made possible by the installation of this equipment. In addition, National Dryers eliminate unsightly and unsanitary washroom conditions, and reduce handling and maintenance costs.

National Dryers' proven superiority of performance provides you with the fastest, most economical drying service available. The enclosed testimonial letters offer concrete evidence of these benefits.

National Dryers are priced at $142.50 per unit, with discounts, depending upon quantities purchased. Prices are F. O. B. Chicago, Illinois, and deliveries can be made promptly upon receipt of orders.

National Dryers are unconditionally guaranteed for two (2) years against any defective parts or material.

Exhibit "C"

If you have any questions regarding our product, please do not hesitate to communicate with us. We are most anxious to cooperate with you in any manner possible.

Thank you again for your interest in our product. We shall look forward to receiving your valued order.

Yours very truly,
NATIONAL DRYER SALES CORP.
S. M. Becker, Jr.
S. Max Becker, Jr.
President

SMB:jc—Encls.

EXHIBIT "D-2"

BOSTONIAN SHOES
Commonwealth Shoe & Leather Co., Whitman,
Massachusetts

May 15, 1953

Mr. Theodore R. Ruwitch
National Dryer Sales Corporation
616 W. Adams Street
Chicago 6, Illinois

Dear Mr. Ruwitch:

With reference to your letter of May 4, we have had your Electric Hand Dryers in our new Gardiner, Maine plant for some time.

We are pleased to advise that we feel these dryers have served in a very satisfactory manner. There is very little question in our minds that the savings that have been made in paper towel costs will more than offset the expense of installing and operating these dryers. Of course, it goes without saying that they eliminate one of the more troublesome nuisances that a Maintenance Department has in a plant such as ours.

In addition to the above, it has been called to my attention by our Insurance Companies that these dryers minimize the danger of our employees getting skin infections which result from the handling of certain types of leathers, because this method of drying does not spread the germs as using paper towels does.

We are planning in the near future to install new washroom facilities in our plant in Whitman, Mass., and at that time would be interested in talking with you relative to making a further installation here in Whitman.

Yours very truly,
BOSTONIAN SHOES
Wm. S. Fraser, Jr.
W. S. Fraser, Jr.
Vice President

WSF JR:DG

Exhibit "D-3"

EXHIBIT "D-3".

HICKEY-FREEMAN CO.
Rochester, N. Y.

General Offices and Factory
1155 Clinton Avenue North
Rochester 1, N. Y.

New York Office
Empire State Building
350 Fifth Avenue
New York 1, N. Y.

July 1, 1954.

National Hand Dryer Sales,
Division of Sheldon Sales, Inc.,
881 Main Street,
Buffalo 3, New York.

Attn: Mr. Leroy Bergman

Dear Mr. Bergman:

The National Hand Dryer installation throughout our shops and offices has proven highly satisfactory in every way.

Washrooms remain neat and unlittered. . . .

Time is saved by having no toweling cabinets to fill. . . .

Space is saved by eliminating the necessity for storing large quantities of toweling. . . .

Maintenance is practically zero.

In all, we are very pleased with our conversion to National Hand Dryers.

Very truly yours,
HICKEY-FREEMAN CO.
HAROLD W. RAUTER
Vice President

HWR*MOB

Exhibit "D-4"

EXHIBIT "D-4".

RELIANCE MANUFACTURING COMPANY
212 West Monroe Street
Chicago 6, Illinois
September 5, 1952

Mr. S. Max Becker, Jr.
National Dryer Sales Corporation
616 W. Adams Street
Chicago, Illinois

Dear Sir:

In response to your recent inquiry for information on our experience with National Hand Dryers, we are pleased to furnish you with the following information.

In July of 1950, we made our original purchase of this equipment on a test basis for use in the washrooms of our general office building. The results of this test were satisfactory, and in October of that year we completed the installation of National Dryers throughout the building.

We found that the dryers eliminated the cost of paper towels, as well as providing cleaner and more sanitary washrooms.

Since the use of this equipment had proven satisfactory in our office building, we became interested in further adopting National Dryers in the washrooms of our various plants. The first industrial installation was made at one of our plants in Indiana in early 1951. The results there were equally satisfactory to those obtained in our Chicago Office building and, in addition to the economic and sanitary benefits, the employee reaction was and continues to be favorable.

At one of our factories in Mississippi, we had received some complaints over conditions in the washrooms. The installation of National Dryers in this particular plant was the most satisfactory means of eliminating these complaints

and providing our employees with complete drying service. Since the installation of National Dryers in our Mississippi factory, we have not been troubled with messy washroom problems.

We have gradually expanded the installation of this equipment throughout our other factories and, at the present time, have them installed in eight locations. All in all, our results with this equipment have been most satisfactory and we are pleased to recommend its use.

Yours very truly,
RELIANCE MANUFACTURING COMPANY
H. C. BAHR

Rely on Reliance
Reg. U.S. Pat. Office H. C. Bahr

EXHIBIT "E"

(WINDOW ENVELOPE)

NATIONAL DRYER
SALES CORPORATION
616 West Adams Street, Chicago 6, Ill.

(Postmarked)
10 CHICAGO
JUL 10
7 PM
1956
ILL.

(U. S. Postage)
Three Cent
Stamp
(Cancelled)

70 CROSS ST (Notation in Pencil on Envelope).

Addressed:
Sold to
Copley Classics Inc.,
29 Worthington Street
Springfield 3, Massachusetts
Shipped to
Same

Exhibit "G-1"

EXHIBIT "G-1".

MUseum 1-1131 "Proven Best by U. S. Government Test"

M. B. LONG COMPANY
Distributor—National Electric Hand Dryers
5122 Baum Boulevard
Pittsburgh 24, Pa.

July 26, 1956

Mr. Joseph Greenberg,
Hotel Gary,
17 East Broad Street,
Hazleton, Penna.

Dear Sir:

Your recent inquiry regarding electric hand dryers has been referred to us by our factory, World Dryers Corp., Chicago, Illinois.

We are pleased to enclose herewith literature descriptive of our product. Your particular attention is respectfully called to the U. S. Government Report. As you will kindly observe, after extensive tests which they conducted for their own information, the government proved WORLD (formerly "National") Dryers to be the most efficient unit on the market.

Should you desire further information, please do not hesitate to communicate with us.

We appreciate your interest, and look further to the opportunity of serving you further.

Very truly yours,
M. B. LONG COMPANY
M. B. LONG
M. B. Long

MBL:r

P. S. Price per unit is $143.25, delivered. We shall be pleased to have representative call upon you, at your request.

World's Fastest
Registered U. S. Patent Office

Exhibit "G-1" (Window Envelope)

EXHIBIT G-1 (WINDOW ENVELOPE)

M. B. LONG COMPANY
5122 Baum Boulevard
Pittsburgh 24, Pa.

(Postmarked)
PITTSBURGH, PA
(Illegible)
JY 26 10.30 PM
1956

(U. S. Postage)
Nine Cents
in Stamps
(Cancelled)

Exhibit "H-1"

EXHIBIT "H-1".

Cable Address: REKCEB
WORLD DRYER CORPORATION
(formerly "NATIONAL" Dryer) ☆
616 W. Adams St., Chicago 6, Ill. - RAndolph 6-8834

July 23, 1956

Mr. Joseph Greenberg
Hotel Gary
17 East Broad Street
Hazleton, Pennsylvania
Dear Mr. Greenberg:

Thank you for your recent inquiry regarding World (formerly "National") Hand Dryers. We appreciate your interest in our product.

The sale of World (formerly "National") Dryers in your area is handled through our distributor, the M. B. Long Company, 5122 Baum Boulevard, Pittsburgh, Pa. We are referring your inquiry to these people and are confident that you will hear from them shortly.

Thank you again for your interest. We shall look forward to serving you through our local distributor.

Yours very truly,
WORLD DRYER CORP.
(Formerly "National")
T. R. RUWITCH
Theodore R. Ruwitch
Vice President

TRR:jc
cc: M. B. Long Co.

DRIES THE HANDS OF THE WORLD . . .

Exhibits "H-2" and "K-1"

EXHIBIT "H-2".

(Envelope.)

Jul 23 1956
13 Chicago Ill. U. S. Postage 3¢
7 PM (Cancelled)

WORLD DRYER CORPORATION
(formerly "NATIONAL" Dryer) ☆
616 W. Adams St., Chicago 6, Ill.

Mr. Joseph Greenberg
Hotel Gary
17 East Broad Street
Hazleton, Pennsylvania

EXHIBIT "K-1".

Cable Address: REKCEB
WORLD DRYER CORPORATION
(formerly "NATIONAL" Dryer) ☆
616 W. Adams St., Chicago 6, Ill. - RAndolph 6-8834

July 24, 1956

Mr. U. O. Cumming, President
International Service Corporation
Eleven West Forty-Second Street
New York, New York

Re: 24501

Dear Mr. Cumming:

Thank you very much for your letter of July 20.

We do have our Dryers available for export to certain countries. Therefore, we would appreciate learning what particular country you have an interest in as far as the export of our equipment is concerned.

Exhibits "K-1" and "K-2"

Upon receipt of this information, and if it ssible for us to work with you in that area, we shall be glad to send you complete descriptive literature and price information.

We shall look forward to your prompt reply, and thank you for your interest in our product.

Yours very truly,

WORLD DRYER CORP.
(Formerly "National")
Ted.
Theodore R. Ruwitch
Vice President

TRR:jc

DRIES THE HANDS OF THE WORLD . . .

EXHIBIT "K-2".

(Envelope.)

65 Chicago Ill.
Jul 24 1956
7 PM

U. S. Postage 6¢
(Cancelled)

VIA AIR MAIL

WORLD DRYER CORPORATION
(formerly "NATIONAL" Dryer) ☆
616 W. Adams St., Chicago 6, Ill.

Mr. U. O. Cumming, President
International Service Corporation
Eleven West Forty-Second Street
New York, New York

EXHIBIT "K-3".

Cable Address: REKCEB
WORLD DRYER CORPORATION
(formerly "NATIONAL" Dryer) ☆
616 W. Adams St., Chicago 6, Ill. - RAndolph 6-8834

July 31, 1956

Mr. U. O. Cumming, President
International Service Corp.
Eleven West Forty-Second Street
New York 36, New York

Dear Mr. Cumming:

This will acknowledge with thanks your letter of July 31, and advise you that we shall be pleased to furnish you with our equipment for sale in the countries which you mentioned in your letter.

Accordingly, we are pleased to enclose descriptive literature and specification data covering our product. I am sure you will find this material self-explanatory. Additional copies of it are available to you upon request.

The list price of World (formerly "National") Dryers is $142.50 per unit for our standard 110-volt, 50-60 cycle, a.c. unit; and $149.30 per unit for our 220-volt, 50-60 cycle, single phase a.c. unit. We will allow you our full export distributors' discount of 40% from list price. This would make your cost on the 110-volt unit $85.50 per unit, f.o.b. Chicago, Illinois; and $89.50 per unit, f.o.b. Chicago, Illinois, on the 220-volt unit. An additional charge of $1.50 per unit should be added to cover complete export packing, if desired.

Terms of payment are net cash upon receipt of invoice, and shipments can be made promptly upon receipt of orders.

We trust this is the information you require, however, if

you have any questions, or desire additional data, please do not hesitate to advise us.

Yours very truly,

WORLD DRYER CORP.
(Formerly "National")
T. R. Ruwitch
Theodore R. Ruwitch
Vice President

TRR:jc - Encls.

DRIES THE HANDS OF THE WORLD . . .

EXHIBIT "K-4"

(Envelope.)

11 Chicago Ill.
Aug 1 1956 U. S. Postage 6c
7 PM (Cancelled)

WORLD DRYER CORPORATION
(formerly "NATIONAL" Dryer)☆
616 W. Adams St., Chicago 6, Ill.

Mr. U. O. Cumming, President
International Service Corp.
Eleven West Forty-Second Street
New York 36, New York

[OPINION] SUR CONTEMPT PROCEEDINGS.

The decree enjoined National Dryer Manufacturing Corporation and National Dryer Sales Corporation (hereinafter referred to as defendants) "from directly or indirectly selling or in any way making or dealing in drying machines * * * under a business name which includes the word National."

The defendants are unquestionably in contempt. Their use of the name "National Dryer" in letters to customers after the decree became final, is not denied. There might be some small excuse for that, although the defendants had plenty of time to make all the necessary arrangements to discontinue the use of the name immediately upon the decree becoming further unappealable by the Supreme Court's denial of certiorari. Far more serious is the defendants' conduct in adopting a deliberate policy which they contend is their right and which they intend to pursue until the Court rules it to be a violation of the injunction. This policy is to continue to use the word "National", not only on letterheads in correspondence and in advertising matter, but also on name plates of the drying machines which they sell in connection with their present corporate name as follows: "World Dryer Corporation, formerly 'National'." In all uses the word is prominently featured. On the name plates all the printing is in black letters except the words "Formerly National" which stand out in bright red.

The defendants' course of conduct is a violation of plain language of the decree, clearly intended to thwart its purpose. The whole purpose of the program is to continue to make use of whatever advantages they obtained from the use of the plaintiff's trade name. So far from distinguishing themselves from the plaintiff as manufacturers of their product, the literature and name plates serve to identify the two in the minds of the public. The defendants are saying to the public, particularly their former customers, in effect

"we are the same people whom you dealt with and whose products you bought under the name 'National' ". There is nothing to suggest that they are a distinct concern from the plaintiff's. The designation "World Dryer Corporation, formerly 'National' " is, if anything, more harmful to the plaintiff who uses the trademark "National Dryer" because one might quite possibly get the impression that the plaintiff had gone into reorganization or that the use of the word "National" as a trade mark had been abandoned.

The defendants urge: First, that they are not in competition with the products of the plaintiff. This is true, they are not in competition at the present time but the injunction was granted over that very defense which was strenuously urged at the trial and it is difficult to see how the defendants could have imagined that that fact entitles them to favorable consideration now. Second, the defendants assert that they have not been palming off their hand dryers as products of the plaintiff. Whether one calls it "palming off" or something else, the fact is that they were and still are appropriating a name which belongs to the plaintiff and are using it in connection with the sale of their products.

The defendants are adjudged in contempt and are ordered to pay to the plaintiff a fine in the amount of $5,000 together with all the costs of this proceeding and an attorney's fee of $1,000.

An appropriate order may be submitted.

[OPINION] SUR REARGUMENT

KIRKPATRICK, Ch. J.

In this case the Court issued its decree enjoining the defendants from selling their machines under any business name which included the word "National", the plaintiff's trademark. Thereafter, upon a showing of undisputed facts, the Court adjudged the defendants in contempt and ordered

them to pay to the plaintiff a fine in the amount of $5,000, together with costs and an attorney's fee of $1,000. The defendants now ask the Court to strike off the fine, taking the position that, inasmuch as the plaintiff has not produced evidence of monetary loss or damage to it occasioned by the defendants' violations, the Court erred in imposing it. The Court ordered a reargument upon the point.

In issuing the injunction, the Court found that there was no present competition between the parties, but injunctive relief was granted on the ground that the defendants were appropriating the plaintiff's property and that the plaintiff's right to use its trademark in a business which would compete with the defendants', when and if it desired to do so, had been invaded and its value impaired. The Court of Appeals apparently took the same view because in a per curiam opinion, 228 F. 2d 349, it affirmed the judgment, noting that there was no proof that the plaintiff had suffered damage.

Whether or not the Court has power to impose purely punitive damages, as the plaintiff contends, the decision of the Supreme Court in Leman v. Krentler-Arnold Co., 284 U. S. 448, leaves no possible doubt of the power of the Court in a civil contempt proceeding for infringement to order the defendants to pay to the plaintiff, as compensation for the invasion of its right, the amount of profits realized by the defendants from sales made in violation of the injunction, whether it be called a fine or something else. In this case the Court did not order an accounting of profits but imposed a fine intended as compensation. The amount of the fine may stand as the Court's estimate of a proper figure, representing less than the defendants' profits. If the defendants believe that it is excessive, they may, not later than ten days from the entry of this order, apply to the Court to order an accounting of profits. If no such application is made, the Court will enter an order, upon this reargument, confirming its original imposition of the fine, attorney's fee and costs.

In the original decree which enjoined the defendants, the Court refrained from making an award of damages in view of what at that time appeared to the Court to be the equities of the whole case. Since that time, however, the defendants have engaged in a course of deliberate and continued violation of the Court's injunction and the equities have been reversed.

In granting the injunction the Court said that the injunction was all that was needed to give complete relief but the Court had in mind something more than a mere piece of paper with the words of a decree printed on it. If the position taken by the defendants is correct, the Court would be without power to take any effective measures to put an end to the continued infringement. Concededly, the Court may not impose imprisonment in civil contempt proceedings except where the contempt consists in a refusal to obey a command to take some affirmative action. If a compensatory fine or an award of profits as damages cannot be imposed, the defendants could go on violating the injunction as long as they found it profitable to do so without running the risk of any penalty except, now and then, the imposition of a moderate attorney's fee and costs.* This Court will not subscribe to any such preposterous position.

An appropriate order may be submitted.

ORDER SUR CONTEMPT PROCEEDINGS.

And now, to wit, this 20th day of November, 1956, on Plaintiff's Petition for order to show cause why Defendants should not be adjudged in Civil Contempt which Petition was heard in open court on Friday, September 14, 1956, on

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* The defendants could keep these expenses down to a minimum by simply writing to the plaintiff and admitting that they were violating and agreeing to so admit of record.

brief submitted and, pursuant to the Opinion of the Court filed on September 25, 1956, and on Motion of Counsel for Defendants for reconsideration of the award made in favor of Plaintiff in said opinion of September 25, 1956, and on reargument sur said Motion, and pursuant to the opinion of the Court Sur Reargument, filed November 5, 1956, and on motion of Louis Necho, counsel for Plaintiff, it is Hereby ordered, adjudged and decreed that:

Defendants, National Dryer Manufacturing Corporation and National Dryer Sales Corporation (World Dryer Corporation, successor in interest, substituted), pay Plaintiff a fine in the total sum of $5,000.00, a counsel fee in the sum of $1,000.00 and costs of the contempt proceedings with interest at 6% from November 20th, 1956, until the said sums are paid.

KIRKPATRICK,
Chief Judge.

NOTICE OF APPEAL

Notice is hereby given that National Dryer Mfg. Corp. and National Dryer Sales Corporation (World Dryer Corporation, Successor in interest substituted), defendants above named, hereby appeal to the United States Court of Appeals for the Third Circuit, from the Order Sur Contempt Proceedings entered in these actions on November 21, 1956.

FOX, ROTHSCHILD, O'BRIEN & FRANKEL,
By .....
Attorneys for Appellants,
1732 Bankers Securities Building,
Philadelphia 7, Pennsylvania.

November 26, 1956.

Supreme Court, U.S.
FILED
JUL 1957
JOHN T. FEY, Clerk

IN THE

Supreme Court of the United States

Term

No. 2931

THE NATIONAL DRYING MACHINERY COMPANY,
Petitioner,

vs.

JACK ACKOFF and NATIONAL DRYER MANUFACTURING CORPORATION, and NATIONAL DRYER SALES CORPORATION (World Dryer Corporation, Successor in Interest; Substituted),

Respondents.

PETITION OF THE NATIONAL DRYING MACHINERY COMPANY FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

LOUIS NECHO,
1521 Walnut Street,
Philadelphia 2, Pennsylvania,
Counsel for Petitioner.

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IN THE

SUPREME COURT OF THE UNITED STATES.

Term

No.

THE NATIONAL DRYING MACHINERY COMPANY,
Petitioner,

vs.

JACK ACKOFF and NATIONAL DRYER MANUFACTURING CORPORATION, and NATIONAL DRYER SALES CORPORATION (World Dryer Corporation, Successor in Interest, Substituted),
Respondents.

PETITION OF THE NATIONAL DRYING MACHINERY COMPANY FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

To the Honorable, the Chief Justice and the Associate Justices of the Supreme Court of the United States:

The Petition of The National Drying Machinery Company for a writ of certiorari to review the judgment of the United States Court of Appeals for the Third Circuit respectfully represents:

I. OPINIONS BELOW.

The opinions of the District Court and the opinions of the Circuit Court of Appeals Sur Contempt Proceedings, are unreported. Copies of all of said opinions are appended hereto.

II. JURISDICTION.

Grounds on which jurisdiction of this Court are invoked are:

A. The Court of Appeals entered the judgment sought to be reviewed on May 1, 1957.

B. Petition for Re-hearing was filed and the same was denied, per curiam, on June 13, 1957, with Hon. Biggs, Ch. C. J., Hon. Maris, C. J., dissenting.

C. The statutory provision which is believed to confer jurisdiction on this Court is the Act of June 25, 1948, ch. 646; Stat. 928; 28 U. S. C. 1254.

D. The courts below had jurisdiction because a Federal Statute was involved.

III. THE QUESTIONS PRESENTED.

For the purpose of this Petition, only the following question is presented, namely:

Does the decision of this Court in *Leman vs. Krentler*, 284 U. S. 448, 455, approve the award of the profits which a

contemnor derives from the contemptuous conduct even in the absence of evidence of actual monetary loss on the part of Complainant?

In the event that this Court should graciously grant a writ of certiorari, Petitioner begs leave to present, and argue, the following additional questions, which are thought to be presently unsettled, and clarification of which is thought to be in the public interest.

These questions are

1. Does 15 U. S. C. 1117 limit the award of the profits of an infringer, or a contemnor to cases where Complainant shows actual financial loss caused by the infringement or by the contemptuous conduct?

2. Is it good public policy to limit the liability of a contemnor to the payment of nominal costs and a counsel fee commensurate with the very small amount of work involved in a contempt proceeding and thus encourage a contemnor to continue to use the mark if the profits derivable from such infringement exceed the trivial costs and the small counsel fee he will have to pay when, and if, he is cited?

3. Is it equitable to compel the owner of the mark to continue spending time and money in watching for infringements all over the country and to continue bringing and prosecuting contempt proceedings?

4. Is it good public policy to emasculate an injunction and thus lessen the respect of contemnors for the dignity of the Courts?

5. Does dilution of a mark by its continued use by a contemnor reduce the value of the mark and, if so, is it equitable to refuse to compensate the trademark owner merely because it is impossible to ascertain the exact degree of the damage caused by the dilution and to translate it into money?

IV. THE STATUTE INVOLVED.

For the purpose of this Petition, no statute is involved. But, if this Court should graciously grant a writ of certiorari, 15 U. S. C. 1117 will be relied on.

V. STATEMENT OF THE CASE.

Petitioner sued Respondents for infringement of its mark, which is registered on the Principal Register. The District Court found for Petitioner and enjoined Respondents, 125 F. Supp. 389. Respondents appealed and the Circuit Court of Appeals for The Third Circuit affirmed the District Court, 228 F(2) 349.

On or about the 21st day of August, 1956, Petitioner cited Respondents in Civil Contempt and, on or about September 25, 1956, the District Court adjudged Respondents to be in contempt and fined them $5,000.00 to the use of Petitioner. Respondents orally asked for re-argument and the District Court, in its Opinion Sur Re-argument, affirmed its previous judgment and gave Respondents the option to pay the fine of $5,000.00 to Petitioner or to account for profits in the event that Respondents felt that their profits were less than the sum of $5,000.00.

From this judgment of the District Court, Respondents appealed to the Court of Appeals for the Third Circuit which, in an opinion dated May 1, 1957, reversed the District Court.

On or about May 15, 1957, Petitioner filed a Petition for Re-hearing which was denied, per curiam, with Chief Judge Biggs and Senior Judge Maris dissenting.

VI. REASONS RELIED ON FOR ALLOWANCE OF THE WRIT.

A. The decision of the majority of the Court of Appeals conflicts with the decision of this Court in the *Leman-Krentler* case, supra.

B. The law of the case, as enunciated by the majority of the Court of Appeals for the Third Circuit, conflicts with the law of the case as enunciated in the Second Circuit pursuant to the mandate of this Court in the *Leman Krentler* case, supra.

VII. ARGUMENT.

In its Opinion Sur Re-argument, the District Court held that:

> "* * * the decision of the Supreme Court in Leman vs. Krentler, 284 U. S. 448, leaves no possible doubt of the power of the Court in a civil contempt proceeding for infringement to order the Defendants to pay to the Plaintiff as compensation for invasion of its right, the amount of profits realized by the Defendants from sales made in violation of the injunction whether it be called a fine or something else * * * If a compensatory fine or an award of profits as damages cannot be imposed, the Defendants could go on violating the injunction as long as they found it profitable to do so without the risk of any penalty except now and then the imposition of a moderate attorney's fee and costs, this Court will not ascribe to any such preposterous position."

In reversing the District Court, the Court of Appeals relied, primarily, on *Christensen Engineering Co. vs. Westing-*

house Air Brake Co., 1905, 135 Fed. 774, 782, and secondarily on *United States vs. United Mine Workers*, 1947, 330 U. S. 258, 303.

The *Christensen Engineering* case, supra, on which the majority of the Court of Appeals primarily relied, was the basis of the decision in the case of *Krentler vs. Leman* (2 Cir.), 50 F(2) 599, which was reversed by the decision of this Court and *Leman vs. Krentler*, supra. In the language of Honorable Judges Biggs and Maris, the *Christensen* case was, "sub silentio", overruled by the decision of this Court in the *Leman-Krentler* case. Therefore, to the extent that the decision of the majority of the Court of Appeals rests on the overruled *Christensen* case, it is untenable.

In the *United Mine Workers* case, supra, on which the majority of the Court secondarily relied, this Court, without any reference to actual loss suffered, affirmed the $10,000.00 fine against John L. Lewis, in toto, and, without any reference to any evidence as to the actual loss suffered, this Court affirmed a fine of $700,000.00 against the union and gave the union a chance to save the balance of $2,800,000.00 by returning to work promptly. Again, in the language of Honorable Judges Biggs and Maris, the *United Mine Workers* case did not overrule the *Leman-Krentler* case and was not dispositive of the civil contempt issue. Therefore, to the extent that it is based on the *United Mine Workers* case, which is clearly distinguishable and which is not dispositive of the issue, the decision of the majority of the Court of Appeals is untenable.

The Court of Appeals dismissed the decision of this Court in the *Leman-Krentler* case in the following language:

> "* * * But, in our view, the Leman case does not relieve Complainant of showing that the contemptuous conduct did, in fact, have substantial injurious effect upon his economic interest * * *."

In the last analysis, this is the ruling which is sought to be clarified by an explicit affirmance or reversal by this Court.

Since this is a matter of construction, which is the exclusive prerogative of this August Body, Petitioner will not venture an opinion. Instead, and by reference, Petitioner adopts the dissenting opinion of the Hon. Judges Biggs and Maris of the Court of Appeals, and the opinion of the Judge in the District Court as its argument.

Had Hon. Judges Biggs and Maris sat on the appeal, the decision would have been different. This creates the impression in the public mind that the Petitioner lost, not because of the law, but because of "luck". This is not a healthy impression and should not be allowed to stand. True, this Honorable Court occasionally splits on certain issues, but, since there is no higher authority, such decisions have to stand until the test of time sustains, modifies, or reverses the minority opinion. This is not true of a split decision in a lower court which can be clarified by this Court, and it is submitted that it is in the public interest to settle the issue, one way or another. Otherwise, there will be other conflicting decisions, and dissenting opinions, which, sooner or later will have to be settled by this Court, and it is submitted that, if this issue is going to be settled sooner or later, it might as well be settled now so that the lower courts, the public and the bar will know just what the law is.

In conclusion, Petitioner respectfully suggests that, due to the conflict of opinion between the Courts of Appeal for the Second and Third Circuits, due to the fact that the decision of the Court of Appeals for the Third Circuit is split, with the two senior judges dissenting, and due to the importance of the question involved, this Petition for a writ of certiorari merits the favorable consideration of this Honorable Court.

Since the SOLE question is whether, or not, the decision of this Court in the Leman-Krentler case permits the award of the profits of a Contemnor in the absence of a showing

of damages by Complainant, it is respectfully suggested that this issue can be disposed of summarily.

Respectfully submitted,

LOUIS NECHO,
Counsel for Petitioner.

Appendix

[OPINION OF THE DISTRICT COURT] SUR CONTEMPT PROCEEDINGS.

The decree enjoined National Dryer Manufacturing Corporation and National Dryer Sales Corporation (hereinafter referred to as defendants) "from directly or indirectly selling or in any way making or dealing in drying machines * * * under a business name which includes the word National."

The defendants are unquestionably in contempt. Their use of the name "National Dryer" in letters to customers after the decree became final, is not denied. There might be some small excuse for that, although the defendants had plenty of time to make all the necessary arrangements to discontinue the use of the name immediately upon the decree becoming further unappealable by the Supreme Court's denial of certiorari. Far more serious is the defendants' conduct in adopting a deliberate policy which they contend is their right and which they intend to pursue until the Court rules it to be a violation of the injunction. This policy is to continue to use the word "National", not only on letterheads in correspondence and in advertising matter, but also on name plates of the drying machines which they sell in connection with their present corporate name as follows: "World Dryer Corporation, formerly 'National'." In all uses the word is prominently featured. On the name plates all the printing is in black letters except the words "Formerly National" which stand out in bright red.

The defendants' course of conduct is a violation of plain language of the decree, clearly intended to thwart its purpose. The whole purpose of the program is to continue to make use of whatever advantages they obtained from the use of the plaintiff's trade name. So far from distinguishing themselves from the plaintiff as manufacturers of their product, the literature and name plates serve to identify the

two in the minds of the public. The defendants are saying to the public, particularly their former customers, in effect "we are the same people whom you dealt with and whose products you bought under the name 'National' ". There is nothing to suggest that they are a distinct concern from the plaintiff's. The designation "World Dryer Corporation, formerly 'National' " is, if anything, more harmful to the plaintiff who uses the trademark "National Dryer" because one might quite possibly get the impression that the plaintiff had gone into reorganization or that the use of the word "National" as a trade-mark had been abandoned.

The defendants urge: First, that they are not in competition with the products of the plaintiff. This is true, they are not in competition at the present time but the injunction was granted over that very defense which was strenuously urged at the trial and it is difficult to see how the defendants could have imagined that that fact entitles them to favorable consideration now. Second, the defendants assert that they have not been palming off their hand dryers as products of the plaintiff. Whether one calls it "palming off" or something else, the fact is that they were and still are appropriating a name which belongs to the plaintiff and are using it in connection with the sale of their products.

The defendants are adjudged in contempt and are ordered to pay to the plaintiff a fine in the amount of $5,000 together with all the costs of this proceeding and an attorney's fee of $1,000.

An appropriate order may be submitted.

OPINION OF THE DISTRICT COURT ON REARGUMENT

KIRKPATRICK, Ch. J.

In this case the Court issued its decree enjoining the defendants from selling their machines under any business name which included the word "National", the plaintiff's trademark. Thereafter, upon a showing of undisputed facts,

the Court adjudged the defendants in contempt and ordered them to pay to the plaintiff a fine in the amount of $5,000., together with costs and an attorney's fee of $1,000. The defendants now ask the Court to strike off the fine, taking the position that, inasmuch as the plaintiff has not produced evidence of monetary loss or damage to it occasioned by the defendants' violations, the Court erred in imposing it. The Court ordered a reargument upon the point.

In issuing the injunction, the Court found that there was no present competition between the parties, but injunctive relief was granted on the ground that the defendants were appropriating the plaintiff's property and that the plaintiff's right to use its trademark in a business which would compete with the defendants', when and if it desired to do so, had been invaded and its value impaired. The Court of Appeals apparently took the same view because in a per curiam opinion, 228 F. 2d 349, it affirmed the judgment, noting that there was no proof that the plaintiff had suffered damage.

Whether or not the Court has power to impose purely punitive damages, as the plaintiff contends, the decision of the Supreme Court in Leman v. Krentler Arnold Co., 284 U. S. 448, leaves no possible doubt of the power of the Court in a civil contempt proceeding for infringement to order the defendants to pay to the plaintiff, as compensation for the invasion of its right, the amount of profits realized by the defendants from sales made in violation of the injunction, whether it be called a fine or something else. In this case the Court did not order an accounting of profits but imposed a fine intended as compensation. The amount of the fine may stand as the Court's estimate of a proper figure, representing less than the defendants' profits. If the defendants believe that it is excessive, they may, not later than ten days from the entry of this order, apply to the Court to order an accounting of profits. If no such application is made, the Court will enter an order, upon this reargument, confirming its original imposition of the fine, attorney's fee and costs.

In the original decree which enjoined the defendants, the Court refrained from making an award of damages in view of what at that time appeared to the Court to be the equities of the whole case. Since that time, however, the defendants have engaged in a course of deliberate and continued violation of the Court's injunction and the equities have been reversed.

In granting the injunction the Court said that the injunction was all that was needed to give complete relief but the Court had in mind something more than a mere piece of paper with the words of a decree printed on it. If the position taken by the defendants is correct, the Court would be without power to take any effective measures to put an end to the continued infringement. Concededly, the Court may not impose imprisonment in civil contempt proceedings except where the contempt consists in a refusal to obey a command to take some affirmative action. If a compensatory fine or an award of profits as damages cannot be imposed, the defendants could go on violating the injunction as long as they found it profitable to do so without running the risk of any penalty except, now and then, the imposition of a moderate attorney's fee and costs. This Court will not subscribe to any such preposterous position.

An appropriate order may be submitted.

OPINION OF THE COURT OF APPEALS.

(Filed May 1, 1957.)

HASTIE, *Circuit Judge.*

This appeal arises out of a civil contempt proceeding instituted after final decree in a trademark infringement case. The final decree had been approved by this court, 228 F. 2d 349, affirming 127 F. Supp. 389. Several months

later the successful plaintiff formally charged defendants with willful violation of certain prohibitory provisions of the decree which had enjoined defendants from selling drying machines "under a business name which includes the name 'National'."

What the defendants have done since the decree, according to the present findings of the district court, ". . . is to continue to use the word 'National', not only on letterheads in correspondence and in advertising matter, but also on name plates of the drying machines which they sell in connection with their present corporate name as follows: 'World Dryer Corporation, formerly "National".' In all uses the word is prominently featured. On the name plates all the printing is in black letters except the words 'Formerly National' which stand out in bright red."

The district court held that this action constituted civil contempt and ordered the defendants to ". . . pay Plaintiff a fine in the total sum of $5,000.00, a counsel fee in the sum of $1,000.00 and costs of the contempt proceeding with interest at 6% from November 20th, 1956, until the said sums are paid." However, the petition which initiated these contempt proceedings contained no allegation that the petitioner had suffered any damage as a result of the violation of the injunction. At the hearing there was neither proof nor tender of proof as to how much, if anything, plaintiff was entitled to recover.

The present appeal is bottomed upon this admitted failure to claim or prove damage and a legal argument that no punitive award, but only a sum to compensate for loss, may be granted to the complainant in a civil contempt proceeding.

Appellant's basic legal position is sound. Fifty years ago, when the courts were not yet agreed as to the scope of civil contempt, the Circuit Court of Appeals for the Second Circuit made a very clear statement of the position which, as we read the cases, has since won the day:

> ". . . It is obvious that a fine exceeding the indemnity to which the complainant is entitled is purely punitive,

and, nothwithstanding the foregoing precedents to the contrary, we think that when it is imposed by way of indemnity to the aggrieved party it should not exceed his actual loss incurred by the violation of the injunction, including the expenses of the proceedings necessitated in presenting the offense for the judgment of the court. We are also of the opinion that when the fine is not limited to the taxable costs it should not exceed in amount the loss and expenses established by the evidence before the court. Unless it is based upon evidence showing the amount of the loss and expenses, the amount must necessarily be arrived at by conjecture, and in this sense it would be merely an arbitrary decision. Another reason why it should be based upon evidence is that otherwise the question of its reasonableness cannot be re-examined upon an appeal from a final decree in the cause, and the appellate court would have to treat the fine as a purely arbitrary one, or deny to the appellant his right of review." *Christensen Engineering Co. v. Westinghouse Air Brake Co.*, 1905, 135 Fed. 774, 782.

Attesting to present day acceptance of this rationale are assertions in two often cited opinions of the Supreme Court. In *United States v. United Mine Workers*, 1947, 330 U. S. 258, 303-4, Chief Justice Vinson defined the scope of civil contempt as follows: ". . . Judicial sanctions in civil contempt proceedings may, in a proper case, be employed for either or both of two purposes: to coerce the defendant into compliance with the court's order, and to compensate the complainant for losses sustained . . . Where compensation is intended, a fine is imposed payable to the complainant. Such fine must of course be based upon evidence of complainant's actual loss, . . ." Substantially the same thing had already been said by the Court in *Gompers v. Bucks Stove & Range Co.*, 1911, 221 U. S. 418, 444: ". . . The only possible remedial relief for such dis-

obedience [violating a prohibitory injunction] would have been to impose a fine for the use of complainant, measured in some degree by the pecuniary injury caused by the act of disobedience."

It is difficult to square the $5,000.00 award in this case with such authoritative assertions of the limitations of legal power in civil contempt cases. Recognizing this problem, the district court ordered a reargument after its adjudication of contempt and fine had been announced in a memorandum opinion. Thereafter, the court restated its position in a second memorandum opinion, which reads in part as follows:

> "Whether or not the Court has power to impose purely punitive damages, as the plaintiff contends, the decision of the Supreme Court in *Leman v. Krentler Arnold Co.*, 284 U. S. 448, leaves no possible doubt of the power of the Court in a civil contempt proceeding for infringement to order the defendants to pay to the plaintiff, as compensation for the invasion of its right, the amount of profits realized by the defendants from sales made in violation of the injunction, whether it be called a fine or something else. In this case the Court did not order an accounting of profits but imposed a fine intended as compensation. The amount of the fine may stand as the Court's estimate of a proper figure, representing less than the defendants' profits. If the defendants believe that it is excessive, they may, not later than ten days from the entry of this order, apply to the Court to order an accounting of profits. If no such application is made, the Court will enter an order, upon this reargument, confirming its original imposition of the fine, attorney's fee and costs."

We think this was error. Whether an award in civil contempt be measured in terms of a plaintiff's loss or a defendant's profit, such an award, by very definition, must be an attempt to compensate plaintiff for the amount he is out-of-pocket or for what defendant by his wrong may be

said to have diverted from the plaintiff or gained at plaintiff's expense. Unless this limitation is recognized, a requirement that one party turn his profits over to his adversary itself becomes a punitive rather than a compensatory imposition.

Moreover, although we appreciate the purpose of the district court to dispose of this matter in a way which would be both expeditious and fair to the parties, we do not approve the entering of judgment in a round figure without proof and thereafter giving the defendant a chance to show that the award should be in some smaller amount. Though such an award is made against a wrongdoer adjudged guilty of civil contempt, we think the burden of showing what amount, if anything, the plaintiff is entitled to recover by way of compensation, cannot properly be shifted in this way from plaintiff to defendant.

In reaching this conclusion we have not overlooked the district court's reliance upon *Leman v. Krentler-Arnold Hinge Last Co.*, 1932, 284 U. S. 448, as support for its disposition of the present proceeding. True, that case sanctions the use of profits yielded by contemptuous conduct in the measurement of the injury caused by a patent infringement. But in our view the *Leman* case does not relieve the complainant of showing that the contemptuous conduct did, in fact, have substantial injurious effect upon his economic interest. This conception is particularly important here because in the original disposition of the present petitioner's trademark infringement claim it appeared to the district court that the plaintiff had suffered no economic injury from the trademark infringement and that there was not "any real danger of the plaintiff's product being brought into disrepute by the defendant's use of the name. . . ." 129 F. Supp. at 391. The court added that "the case comes down to the question whether the trademark owner will be protected in a field which he has not actually entered. . . ." On appeal this court said "the trial court is correct in its finding that there is no proof of any damages. . . ." 228 F. 2d at 350.

There is no suggestion in the present proceeding that this absence of economic injury has been changed by the contemptuous conduct of the defendants. The district court does say that the "equities" have been changed by this willful misconduct. But there can be no "equity" in a compensatory award except as it provides a fair equivalent for some loss. If, on the other hand, the reference to changed "equities" means that the defendant deserved punishment for a willful wrong, the procedure must be that of criminal contempt rather than the employment of civil contempt as a punitive device.

The judgment will be vacated and the cause remanded with directions to modify the award by eliminating the $5,000.00 item. All of the equities considered, neither party will be allowed costs in this court as against the other.

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

[OPINION OF THE COURT OF APPEALS SUR] PETITION FOR REHEARING.

(Filed June 13, 1957.)

PER CURIAM.

Appellee has urged reconsideration of our decision in this case arguing that it is in conflict with the decision of the Supreme Court in *Leman v. Krentler-Arnold Co.*, 1932, 284 U. S. 448. This contention has been fully considered by the entire court. The petition for rehearing is hereby denied.

BIGGS, *Chief Judge*, dissenting.

I am of the view that the decision in Leman v. Krentler-Arnold Co., 284 U. S. 448 (1932), permits the plaintiff in a civil contempt proceedings to be compensated without showing actual loss where, as here, an injunction prohibiting a course of action has been violated. In the Leman decision Mr. Chief Justice Hughes stated: "There is no question here that the respondent had made profits through the infringing sales in violation of the injunction, and the amount of the profits was ascertained, but the appellate court held that the petitioners were limited to the damages caused by such sales and that no damages had been shown. We think that the court erred in imposing this limitation. The fact that a proceeding for civil contempt is for the purpose of compensating the injured party, and not, as in criminal contempt, to redress the public wrong, does not require so narrow a view of what should be embraced in an adequate remedial award.

"While the distinction is clear between damages, in the sense of actual pecuniary loss, and profits, the latter may none the less be included in the concept of compensatory relief. In a suit in equity against an infringer, profits are recoverable not by way of punishment but to insure full compensation to the party injured . . .", 284 U. S. at pp. 455-456.

The Leman case overruled *sub silentio* Christensen Engineering Co. v. Westinghouse Air Brake Co., 135 Fed. 774, 782 (2 Cir. 1905), on which the majority relies. But the Leman decision was not overruled by United States v. United Mine Workers, 330 U. S. 258 (1947). That the Supreme Court was not focusing its attention on the issue of proof of profits as distinguished from the issue of proof of damages in the United Mine Workers case is demonstrated by the fact that the opinion in that case cites with approval in note 80, 330 U. S. cited to the text at p. 304, both the Leman case and Nostrom v. Wahl, 41 F. 2d 910, 914 (7 Cir. 1930). Leman and Nostrom are directly con-

trary in their respective rulings in relation to the issue of proof of profits in contradistinction to the issue of proof of damages.

The majority also rely on the statement in the United Mine Workers opinion that where a fine is imposed as one kind of judicial sanction in a civil contempt proceedings, "Such fine must . . . be based upon evidence of complainant's actual loss. . . ." 330 U. S. at p. 304. But the quoted statement was not dispositive of the civil contempt issue raised in United Mine Workers case for the fine imposed had as its objective coercion of compliance with the order of the court and not compensation to an injured private party. *Id.* at pp. 304-305.

By the decision in the case at bar the salutary rule that an infringer may be held accountable in an action for civil contempt for profits resulting from his violation of an injunction is brought to an end in this Circuit. At most the injured party can recover attorney's fees and costs, in a useless action in which he can receive no compensation whatsoever for the injury he has suffered.

The issue involved is one of major importance. For these reasons I am of the view that rehearing should be had before the court en banc.

I am authorized to state that Judge Maris joins in the views expressed in this opinion.

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

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IN THE

Supreme Court of the United States

October Term, 1957.

No. 293.

THE NATIONAL DRYING MACHINERY COMPANY,
Petitioner,

vs.

JACK ACKOFF and NATIONAL DRYER MANUFACTURING CORPORATION, and NATIONAL DRYER SALES CORPORATION (World Dryer Corporation, Successor in Interest, Substituted),
Respondents.

BRIEF FOR THE RESPONDENTS IN OPPOSITION.

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III. QUESTION PRESENTED.

Whether, in a civil contempt proceeding, where the complainant may recover only compensation for harm suffered, the Court of Appeals was not correct in refusing an award to a complainant that claimed no injury whatsoever, either tangible or intangible.

V. STATEMENT OF THE CASE.

(In addition to Petitioner's "Statement of the Case".)

In the Petition for civil contempt filed by the complainant there was neither an allegation of any damage suffered nor any loss of profits. At the hearing the petitioner offered no evidence of any damage or loss of profits.

Judges Hastie, Kalodner and McLaughlin heard the case on appeal. The Petition for rehearing was considered by the full bench of seven judges, including Judges Biggs, Maris, Goodrich and Staley. The Petition was dismissed, Chief Judge Biggs and Judge Maris dissenting.

VI REASONS FOR OPPOSING THE GRANT OF THE WRIT.

(1) *The decision of the Court of Appeals is not in conflict with the decision of this Court in Leman v. Krentler-Arnold Co., 284 U. S. 448.*

The *Leman* case was a civil contempt proceeding for violation of an injunction granted in a patent infringement suit. The contemnor, who made hinges for shoe lasts and sold them to manufacturers of shoe lasts, had been enjoined from making, using or selling the hinge patented by the complainant, a shoe last manufacturer that made its own hinges. Although the complainant did not sell its hinges to other shoe last manufacturers, it competed with those manufacturers in selling lasts to manufacturers of shoes. Those lasts equipped with complainant's "ingenious device" possessed a substantial competitive advantage over others, see 300 F. 834, 837, and the infringement had naturally resulted in lost profits for the complainant, which had been prevented from increasing its sales because the infringement had permitted its competitors to market the self-same product. Accordingly, to compensate complainant for the economic losses due to the original infringement, the District Court had granted it, in addition to injunctive relief, the profits that the infringer had made as a result of the infringement.

For the same reason, when the injunction was violated by continued infringement, the district judge ordered the contemnor to account for profits made through sales of the device during the period of violation. The Court of Appeals in the *Leman* case, however, held that the complainant could not recover profits as appropriate remedial relief for the obvious economic losses caused by the continued illegal sale of its device to its competitors.

The Supreme Court reversed this decision. It held that "there is no necessary exclusion of profits from the idea of compensation in a remedial proceeding." 284 U. S. at 457. In other words, where compensation is required to make the complainant whole—where there has been economic injury, even though not readily provable in dollars and cents—profits may be the measure of the award to the injured party.

But there must be some interest of complainant's that requires compensation—some loss to him—before the *Leman* case can be invoked. As the Court there observed, "a proceeding for civil contempt is for the purpose of compensating the injured party." 284 U. S. at 455. *Leman* relieved the injured party from reducing his injury to dollars and cents damages; it did not hold that a party that has suffered no injury whatsoever, whether tangible or intangible, may recover profits. The Court could not have so held, for that was not the case then before it. That case is now before it. Petitioner is asking this Court mechanically to extend *Leman* to award it profits even though respondent's conduct has in no way affected its sales, its reputation or its good will. Certainly this goes far beyond this Court's understanding of *Leman*. See *United States v. United Mine Workers*, 330 U. S. 258, 304, where the Court relied on *Leman* as authority for the proposition that a fine payable to the complainant in a civil contempt proceeding "must of course be based upon evidence of complainant's actual loss." As Judge Hastie said for the Court of Appeals:

> "* * * the *Leman* case does not relieve the complainant of showing that the contemptuous conduct did, in fact, have substantial injurious effect upon his economic interest. This conception is particularly important here because in the original disposition of the present petitioner's trademark infringement claim it appeared to the district court that the plaintiff had suffered no economic injury from the trademark infringement and that there was not 'any real danger of the plaintiff's

> product being brought into disrepute by the defendant's use of the name * * *." 129 F. Supp. at 391. * * * There is no suggestion in the present proceeding that this absence of economic injury has been changed by the contemptuous conduct of the defendants." See Appendix to Petition, pp. 16-17.

This absence of the economic injury essential to the application of the *Leman* rule sharply differentiates the instant case from *Leman* and makes evident that the refusal of the Court of Appeals to sanction an award of profits is attributable, not to a conflict with a decision of this Court, but to significantly differing circumstances.

2. *The decision of the Court of Appeals is clearly correct.*

The purpose of a civil as distinguished from a criminal contempt proceeding is to "enforce compliance with an order of the Court or to compensate for loss or damage sustained by reason of non-compliance". *McComb v. Jacksonville Paper Co.*, 336 U. S. 187, 191. "Where compensation is intended, a fine is imposed, payable to the complainant. Such fine must of course be based upon evidence of complainant's actual loss * * *." *United States v. United Mine Workers, supra.* This fundamental limitation upon the recovery permitted the complainant—that he show some loss incurred, some damage suffered, even though it may be incapable of precise calculation—is inherent in the compensatory nature of the proceeding. Judge Hastie, speaking for the court below, stated:

> "Whether an award in civil contempt be measured in terms of a plaintiff's loss or a defendant's profit, such an award, by very definition, must be an attempt to compensate plaintiff for the amount he is out of pocket or for what defendant by his wrong may be said to

have diverted from the plaintiff or gained at the plaintiff's expense. Unless this limitation is recognized, a requirement that one party turn his profits over to his adversary itself becomes a punitive rather than a compensatory imposition." Appendix to Petition, pp. 15-16.

Petitioner not only failed to show any injury resulting from respondent's conduct, it did not even claim the existence of such injury. Indeed, it could not have. Petitioner and respondent are not remotely in competition with each other, since they sell very different products. See 129 F. Supp. 389, 391. Moreover, as the Court of Appeals observed, the District Court found that respondent's conduct represented no danger to the reputation of petitioner's product. In these circumstances, there can be no such thing as compensation, for there is nothing to compensate for. Accordingly, an accounting for profits, which is what the sum arbitrarily fixed by the district judge is said to represent, is entirely unwarranted. Cf. *Triangle Publications v. Rohrlich*, 167 F. 2d 969, 973-4 (C. A. 2, per Augustus Hand, J.); *Hanson v. Triangle Publications*, 163 F. 2d 74, 79-80 (C. A. 8); Restatement of the Law of Torts, Sec. 747.

The *Leman* case made clear that a proceeding for civil contempt for violation of an injunction is part of the main cause. 264 U. S. at 454. In the main cause there, an accounting for profits was upheld because of the patent holder's obvious loss resulting from the infringement. An accounting was deemed appropriate by this Court in the contempt proceeding for the same reason. The economics of the situation had remained unchanged—in both instances the patent owner had suffered harm.

Conversely, in the main cause of the present case, the District Court held that an accounting could not be justified, "there having been no proof whatever of any damages." Appendix to respondent's brief in the Court of Appeals, pp. 6a-7a. Yet, although there was no suggestion in the contempt proceeding that this absence of economic injury had been changed by respondent's conduct, the District

Court ordered respondent to pay petitioner a fine of $5,000. It was this award that the Court of Appeals properly refused to sanction. The rationale of its opinion was that, since there was no basis for an accounting in the main cause, there was none in the contempt proceeding, for in neither case did petitioner suffer any loss. And if the fine was designed, as it apparently was, to punish respondent for a willful wrong (see the District Court's opinion on rehearing the contempt case, Appendix to Petition, p. 12), it could not be upheld consistently with the vital distinction between criminal and civil contempt. This decision is manifestly correct.

(3) *The question presented is important only to the petitioner.*

Petitioner, a private litigant disgruntled over failure to obtain a windfall, attempts to approach this Court as the champion of the public interest. It urges the Court to review the Third Circuit's vacation of an award of respondent's profits because there was a dissenting opinion below with respect to the denial of a rehearing *en banc*. Petitioner argues that, since one dissent may lead to another and since the problem might at some future time become important, the Court should settle it now. One must search the statutes, rules and decisions governing the certiorari jurisdiction of this Court in vain for support for such a view. If it were, all disappointed litigants would seek this Court's review. Standing at the apex of our federal judicial system, this Court, of necessity, has been required to devote its resources to the vital legal problems of society, those of federalism, the separation of powers, the Bill of Rights, the administration of federal criminal justice, to name but a few, and to questions of statutory construction imperatively in need of authoritative determination.

No "special and important reasons" exist for reviewing the question presented in this case. See Rule 19(1) of the

Rules of the Supreme Court. Ever since *Gompers v. Bucks Stove & Range Co.*, 221 U. S. 418, it has been clear that the complainant in a civil contempt proceeding is entitled to no more than compensation for harm suffered. This case merely involves the application of this unquestioned legal principle to the virtually unique situation where a private litigant who complains of contempt makes no effort whatever to show economic injury. Significantly, petitioner does not point to one other case involving the precise question before the Court in all the twenty-five years that have passed since the *Leman* decision.

CONCLUSION.

There is no conflict of decision. The decision below is plainly correct. And the question presented is important only to the petitioner, since the law is settled and the facts of this case are virtually unique. In these circumstances, it is respectfully submitted that the petition for a writ of certiorari should be denied.

Respectfully submitted.

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